

Message Text

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ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00
AID-05 CEA-01 CIAE-00 COME-00 EB-08 EA-12 FRB-01
INR-07 NEA-10 NSAE-00 OPIC-06 SP-02 TRSE-00
LAB-04 SIL-01 AGRE-00 OMB-01 SS-15 STR-05 L-03
H-02 /110 W

-----107775 201804Z /43

O 201741Z DEC 77

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 3882

INFO ALL EC CAPITALS IMMEDIATE

USMISSION GENEVA IMMEDIATE

UNCLAS SECTION 01 OF 02 BRUSSELS 19030

USEEC, PARIS ALSO FOR USOECD

E.O. 11652: N/A

TAGS: EEC, ETRD

SUBJ: EC FOREIGN MINISTERS COUNCIL, DECEMBER 19-20, 1977:

TEXTILES

REF: BRUSSELS 18749

1. DURING THEIR DECEMBER 20 COUNCIL SESSION, THE EC FOREIGN MINISTERS APPROVED THE TERMS OF THE EC COMMISSION'S BILATERAL NEGOTIATIONS WITH 31 SUPPLIER COUNTRIES AND AGREED THAT THE EC SHOULD RENEW THE MULTIFIBER AGREEMENT. THE COUNCIL FURTHER AGREED THAT, IN NOTIFYING EC ACCEPTANCE OF MFA RENEWAL TO THE GATT SECRETARIAT, THE COMMISSION SHOULD MAKE CLEAR THAT THE EC WILL APPLY THE MFA TO INDIVIDUAL EXPORTING COUNTRIES ONLY INsofar AS BILATERAL AGREEMENTS NEGOTIATED BETWEEN THE EC AND THOSE COUNTRIES ARE APPLIED, THEREBY, IN EFFECT, SUBORDINATING THE MFA TO THE BILATERAL AGREEMENTS.

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2. ACCORDING TO COUNCIL AND COMMISSION SPOKESMEN, THE UK AND FRANCE BOTH SUGGESTED THAT THE COMMISSION SHOULD NOT SIGN THE MFA RENEWAL PROTOCOL UNTIL ALL THE BILATERAL AGREEMENTS HAD BEEN SIGNED. EC COMMISSIONER DAVIGNON RESPONDED THAT THIS WOULD TAKE MONTHS, CREATING AN UNACCEPTABLE LEGAL VACUUM. DEBATE RESULTED IN A COUNCIL "UNDERSTANDING" THAT THE BULK OF THOSE AGREEMENTS

AVAILABLE FOR SIGNATURE WILL BE SIGNED BEFORE THE MFA PROTOCOL IS SIGNED. DAVIGNON INDICATED, IN THIS REGARD THAT BETWEEN 12 AND 15 AGREEMENTS CAN BE SIGNED BEFORE DECEMBER 31. A COMMISSION SPOKESMAN TOLD REPORTERS THAT THE AGREED FORMULA WILL THEORETICALLY ALLOW THE COMMISSION TO SIGN THE MFA WITHOUT SIGNING A "SINGLE" BILATERAL AGREEMENT IN ADVANCE. HOWEVER, COUNCIL AND PERMREP OFFICIALS NOTE THAT DAVIGNON IS UNLIKELY TO FLY IN THE FACE OF STATED COUNCIL PREFERENCE AND THAT HE WILL LIKELY PRESS FOR QUICK SIGNATURE OF AS MANY BILATERAL AGREEMENTS AS CAN BE ARRANGED, WITH A VIEW TO SIGNATURE OF THE MFA PROTOCOL BEFORE THE END OF THE YEAR.

3. COUNCIL APPROVAL OF THE TERMS OF THE NEGOTIATED BILATERAL AGREEMENTS ENCOMPASSES THE FIGURES FOR PAKISTAN, INDIA, BRAZIL, AND EGYPT, WHICH EXCEED THE CEILINGS IN THE COMMISSION'S NEGOTIATING MANDATE. ACCORDING TO A COUNCIL SPOKESMAN, THE COMMISSION ALSO RECEIVED A "GREEN LIGHT" TO PROCEED WITH CURRENTLY UNSETTLED NEGOTIATIONS WITH GREECE, TURKEY, SPAIN, AND PORTUGAL, SO LONG AS IT DOES NOT EXCEED THE TERMS OF THE NEGOTIATING MANDATE. A COMMISSION SPOKESMAN HAS INFORMED US THAT THE COMMISSION TABLED A PAPER, AT FRENCH REQUEST, OUTLINING ITS OBJECTIVES IN FURTHER NEGOTIATIONS WITH THOSE FOUR COUNTRIES, POINTING OUT THAT, ALTHOUGH THE EC SIDE IS RELATIVELY SATISFIED WITH THE RESULTS OF TALKS TO DATE WITH UNCLASSIFIED

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GREECE AND TURKEY, THE COMMISSION MIGHT EVENTUALLY HAVE TO RECOMMEND UNILATERAL MEASURES WITH RESPECT TO SPAIN AND PORTUGAL. THE SPOKESMAN SAID THAT THE COMMISSION WAS ALSO ABLE TO SATISFY ITALIAN CONCERNS OVER RULES OF ORIGIN.

4. AGREEMENT ON BOTH THE MFA AND THE BILATERAL AGREEMENTS WAS BLOCKED DURING THE COUNCIL'S INITIAL DISCUSSION OF TEXTILES ON DECEMBER 19 BY BRITISH INSISTENCE THAT FIGURES PROPOSED BY THE COMMISSION FOR THE UK REQUIRED CLARIFICATION AND THAT UK QUOTAS FOR COTTON YARN AND COTTON CLOTH WERE TOO HIGH. AT A DECEMBER 20 PRESS CONFERENCE, UK SECRETARY OF STATE FOR TRADE EDMUND DELL ANNOUNCED THAT HE HAD BEEN ABLE TO WITHDRAW THE BRITISH RESERVE ON THE BASIS OF CLARIFICATION OF FIGURES BY THE COMMISSION AND OF A 500 TON REDUCTION IN THE UK'S COTTON CLOTH QUOTA. DELL ISSUED THE FOLLOWING STATEMENT TO THE PRESS ON THE OUTCOME OF THE BILATERAL NEGOTIATIONS AND THE DECISION ON MFA RENEWAL:

BEGIN TEXT:

OVERNIGHT WE RECEIVED FROM THE COMMISSION THE CLARIFI-

CATION WE REQUIRED ABOUT THEIR NEGOTIATIONS, AND THE SHARE OF THE IMPORTS THAT THE UK WILL BE REQUIRED TO TAKE. WE WERE OF COURSE NOT ALONE IN SEEKING SUCH CLARIFICATIONS.

WE HAVE OBTAINED VERY TIGHT RESTRICTIONS ON MORE THAN 20 SENSITIVE PRODUCTS, REPRESENTING ABOUT SEVENTY-FIVE PER CENT OF UK IMPORTS, AND SATISFACTORY RESTRAINTS ON EFFECTIVELY ALL OTHER SENSITIVE PRODUCTS.

WE HAVE ALSO OBTAINED EFFECTIVE TRIGGER MECHANISMS

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WHICH WILL PREVENT ANY NEW PRODUCTS NOW UNRESTRICTED FROM SWAMPING UK MARKETS.

I BELIEVE THIS NEW MFA WILL PROVE A HISTORIC TURNING POINT IN THE FORTUNES OF THE UK TEXTILES AND CLOTHING INDUSTRIES.

IT OFFERS EIGHT IMPORTANT ADVANTAGES OVER THE OLD ONE:

(1) GLOBAL COVERAGE FOR THE EIGHT MOST SENSITIVE PRODUCTS;

(2) GROWTH RATES FOR IMPORTS WHICH VARY INVERSELY TO MARKET PENETRATION INSTEAD OF A FLAT SIX PERCENT

INCREASE EVERY YEAR;

(3) MUCH MORE COMPREHENSIVE COVERAGE, I.E., OVERALL
ABOUT NINETY-EIGHT PERCENT OF UK IMPORTS;

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(4) MUCH MORE REALISTIC BASE LEVELS;

(5) NO CARRYOVER OF UNDER-USED 1977 QUOTAS INTO
1978;

(6) AUTOMATIC TRIGGER MECHANISMS;

(7) NEW CATEGORIZATION OF PRODUCTS;

(8) STRICTER MONITORING OF IMPORTS BY ALL EC
MEMBER STATES.

THE UK TEXTILE AND CLOTHING INDUSTRIES EMPLOY SOME 800,000
PEOPLE AND PRODUCED EXPORTS WORTH SOME \$1.3 BILLION IN
1976, OR SEVEN PERCENT OF OUR TOTAL EXPORT TRADE.

THE UK GOVERNMENT BELIEVES THIS MFA WILL PROVIDE THE
INDUSTRIES WITH A MORE STABLE LONG-TERM ENVIRONMENT
IN WHICH THEY CAN TAKE THE NECESSARY DECISIONS FOR THEIR
FUTURE DEVELOPMENT AND SUCCESS. END TEXT. HINTON

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Disposition Approved on Date:
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